

Rural Earnings Continue a Slow, Steady Rise

Rural earnings rose slightly between 1996 and 1997. Earnings growth was high for rural Blacks and Hispanics, but their earnings levels remained well below that of non-Hispanic Whites. Regardless of race, women accounted for most of the overall gains in rural earnings during the 1990's.

Average weekly earnings for rural workers rose 1.4 percent between 1996 and 1997 after adjusting for inflation, reflecting the benefits of steady productivity growth and very low inflation rates. The gain, from \$430 to \$436, is the largest annual increase since the 1990-91 recession. Rural earnings growth continues a national trend of rising real earnings in both metro and nonmetro labor markets that began earlier in the decade, and parallels improvement in other measures of workforce well being, such as declines in unemployment rates.

Sustained economic growth has meant that some groups who historically have not participated fully in the upswings of the business cycle are now seeing increases in earnings as great as or greater than the average. This is true for rural Blacks, whose average weekly earnings increased 2.4 percent between 1996 and 1997, and 5.6 percent since 1990. Nonetheless, the earnings differences between minorities and Whites within the rural labor force remain quite large and are only slightly smaller than they were two decades ago.

Meanwhile, the gap between urban and rural earnings of racial and ethnic minorities has narrowed significantly, and is particularly noticeable for Hispanic workers, whose urban earnings have been flat in the 1990's. For all racial/ethnic groups, the rise in women's average earnings is the prime component of recent real earnings increases in rural labor markets.

The data for this article come from the Current Population Survey (CPS). All earnings figures are reported in 1997 dollars using the Consumer Price Index for urban wage earners to adjust for inflation. The reader is cautioned that this article does not report the two measures underlying average weekly earnings, average hourly earnings and average weekly hours, due to changes in 1994 in the way that hours are reported in the CPS.

Rural Minorities' Earnings Growth Exceeds Non-Hispanic Whites' in the 1990's...

Average weekly earnings rose slightly faster for rural Black and Hispanic workers than for rural Whites between 1990 and 1997 (table 1). The highest increase was for Blacks, whose earnings grew by 2.4 percent between 1996 and 1997 and by 5.6 percent since

Table 1

Average weekly earnings of rural wage and salary workers

During the 1990's, average weekly earnings increased at a higher rate for Blacks

Item	Earnings			Change	
	1990	1996	1997	1990-97	1996-97
	1997 dollars			Percent	
All workers	422	430	436	3.3	1.4
Black	321	331	339	5.6	2.4
Hispanic	327	341	340	4.0	-.3
White	435	439	445	2.3	1.4

Note: Hispanics may be of any race. "Black" and "White" exclude Hispanics.

Source: Calculated by ERS using data from the Current Population Survey.

1990. The picture for rural Hispanics is less clear; earnings have risen 4 percent from the beginning of the decade, but were stagnant between 1996 and 1997.

The relatively strong performance of rural Black earnings reflects their geographic concentration in the South. During the 1990's, rural average weekly earnings grew fastest in the South (up 5.3 percent to \$428 in 1997), followed by the Midwest (up 4.3 percent to \$432), and the West (up 0.5 percent to \$449), while rural earnings fell slightly in the Northeast (down 1.5 percent to \$464).

Also, the recent increases in the minimum wage in September 1996 (to \$4.75 per hour) and October 1997 (to \$5.15 per hour) have helped boost weekly earnings for all low-wage workers, who are disproportionately Black. Before the wage increases took effect, about 20.2 percent of rural Blacks and 7.5 percent of Hispanics were earning between \$4.25-\$5.14 per hour—the wage group most likely to be affected.

The lower earnings growth for rural Hispanics, compared with Blacks, is likely an outcome of several factors. Hispanic workers are more likely than Blacks to work in farming occupations that are not covered under minimum-wage laws. Moreover, nearly 4 in 10 rural Hispanics live in the West, where steady growth in the services sector has generated plentiful, but often low-paying jobs.

...but Their Earnings Levels Remain Much Lower

Despite solid gains during the 1990's, Black and Hispanic workers' average earnings remained well below White earnings. The legacy of racial discrimination in both schools and the workplace continues to mark the structure of earnings in rural America. In 1997, rural Blacks earned just 76.2 percent as much as Whites on average; Hispanics earned 76.4 percent as much (fig.1). And while the gap has closed slightly for Blacks in the 1990's, it remains only marginally smaller than in 1979, when their earnings relative to Whites were 71.4 percent. For rural Hispanics, the gap has actually increased since 1979 when Hispanics earned 84.7 percent as much as Whites. An increase in immigration of poor Hispanics from developing counties has pushed down their average weekly earnings.

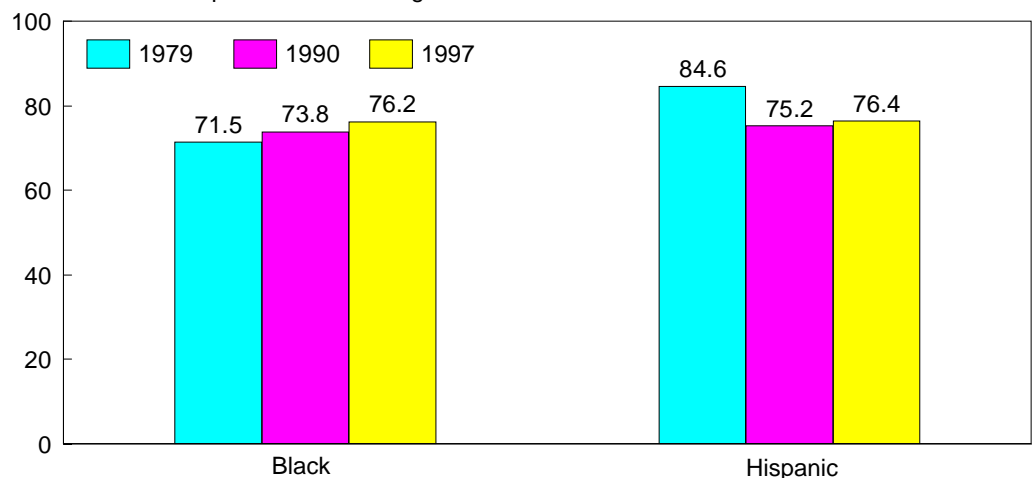
One explanation of the persistent disparity in earnings is the lower rate of high school and (especially) college completion among Black and Hispanic workers. Even if minority

Figure 1

Ratio of nonmetro Black and Hispanic earnings to White earnings, 1979-97

Black earnings have increased while Hispanic earnings have fallen compared with White earnings

Percent of non-Hispanic White earnings



Source: Calculated by ERS using data from the 1979, 1990, and 1997 Current Population Survey.

workers had the same levels of education as White workers, however, much of the earnings gap would remain, since minorities typically earn less than Whites with the same amount of education.

Rural Earnings Grow Faster than Urban Earnings for All Groups

Rural and urban average weekly earnings grew at about the same rate between 1996 and 1997 (1.4 percent rural and 1.5 percent urban). Since 1990, however, rural earnings have outpaced urban earnings, due largely to the sluggish urban recovery in the early 1990's. The rural advantage has been especially strong for Blacks and Hispanics, whose average weekly earnings have grown at several times the rate for similar urban workers (tables 1 and 2).

Increasing average education levels and occupational status are not the primary explanations for faster rural earnings growth, since education and occupational upgrading have occurred at least as quickly in urban labor markets. Rather, rural earnings appear to be growing faster than urban earnings at any given level of education or occupation. The exception to this observation may be the sizable divergence in earnings for rural and urban Hispanics, which was accompanied by a drop in the share of urban Hispanics employed in manufacturing and an increase in the supply of less-skilled workers in cities where Hispanics are prevalent.

Earnings Increases Are Larger for Women

Real weekly average earnings rose 8.5 percent for rural women between 1990 and 1997, up from \$321 to \$348. In contrast, real weekly average earnings for men rose by less than 1 percent in the same period, up from \$513 to \$518, but remained at a much higher level than for women. Much of this increase in women's weekly earnings is due to the changing nature of the job market for women. Between 1990 and 1997, the labor force participation rate for rural women increased from 53.8 percent to 57.5 percent, but dropped slightly for rural men (from 72.9 percent to 72.2 percent). Associated with this labor force influx is women's rapid movement into higher status occupations. Rural women on average now have higher education levels than rural men, allowing women to enter better initial jobs and to move up more quickly into higher paying positions.

Regardless of race, women accounted for most of the overall gains in rural average weekly earnings during the 1990's (fig. 2). The largest percentage increases among rural women were among Blacks and Hispanics. In rural areas, earnings increased by 10.7 percent for Black women, 10.7 percent for Hispanic women, and 8.8 percent for White women between 1990 and 1997. Despite the higher percentage increases in minority

Table 2

Average weekly earnings of rural and urban wage and salary workers

The ratio of rural to urban earnings has increased slightly during the 1990's

Item	Urban earnings		Change, 1990-97	Rural-urban ratio	
	1990	1997		1990	1997
	— 1997 dollars —			Percent	
All workers	547	550	0.6	77	79
Black	439	443	.9	73	77
Hispanic	416	403	-3.1	79	84
White	579	566	-2.3	75	77

Note: Hispanics may be of any race. "Black" and "White" exclude Hispanics.

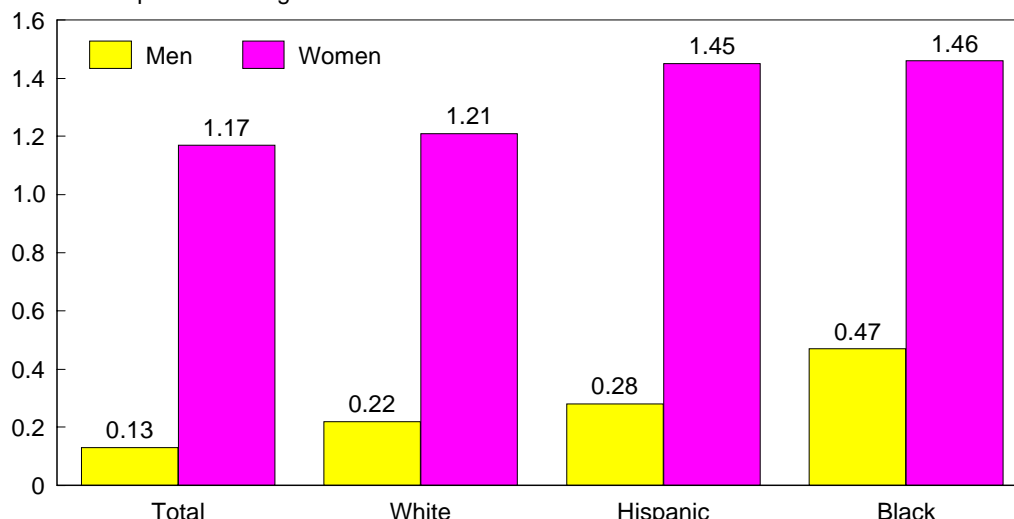
Source: Calculated by ERS using data from the Current Population Survey.

Figure 2

Change in average weekly earnings for rural men and women, 1990-97

Women's earnings growth outpaced men's across all racial and ethnic groups

Annualized percent change



Source: Calculated by ERS using data from the 1990 and 1997 Current Population Survey.

women's earnings during the 1990's, White women averaged \$356 per week in 1997, compared with \$300 for Blacks and \$289 for Hispanics.

Prospects for Continued Earnings Growth

The prospects for continued improvement in average weekly earnings for rural minorities largely depend on sustained economic expansion. Racial and ethnic minorities have less seniority and human capital than White workers and are more likely to hold jobs that are sensitive to economic downturns, making them vulnerable to protracted layoffs during and after business recessions. Conversely, the very low unemployment rates that the Nation currently enjoys reflect tight labor markets in which employers must often offer higher wages to attract workers. Although wages are rising slowly compared with past periods of high productivity growth and low unemployment, these conditions create a floor that prevents the wage erosion that workers without college degrees have experienced over the previous 20 years.

An important but uncertain factor in minority workers' short-term earnings prospects is the effect of Federal welfare reform, which will increase the number of workers with limited job skills and education entering the labor force. The increased labor supply for low-skill jobs, disproportionately held by Blacks and Hispanics, is expected to slow earnings growth, just as concerns have been raised about the wage impacts of large influxes of immigrants in some local labor markets. There is no consensus about the magnitude of welfare reform effects, however, because of limited information about the number of recipients expected to enter the workforce and the rate of job creation over the next few years. The impacts are likely to be felt most keenly in local areas with slow employment growth and above-average use of social welfare programs—characteristics often associated with rural areas where minority populations are concentrated. [Robert Gibbs, 202-694-5423, rgibbs@econ.ag.gov; Timothy S. Parker, 202-694-5435, tparker@econ.ag.gov]